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From: Fred Wilson
To: Investment Team
Sent: 6/8/2017 5:07:29 AM
Subject: Kin

Brad's questioning on Kin on Monday got me thinking about whether USV should buy some Kin in the pre-sale

Until then I has assumed not, unless we could trade some or all of our Kik preferred shares for Kin, which the company is not going to consider

My analysis has been that we own 5% of Kik and that Kik will be allocated 30% of Kin and that Kik will likely be the biggest recipient of Kin via the Kin Rewards Engine, at least initially.

That would suggest that Kik shareholders will end up getting dividends of Kin if this whole thing works out

Here is the rough math on all of this:

1) Kik has the ability to sell most or all of it's 30% allocation of Kin to finance it's burn which is \$2.5mm a month. About 40% of that burn is servers and bandwidth. Kik has a "lock up" on the 30% which says they can only sell 3% a quarter each quarter for 10 quarters. They do not have to sell it but that is the max they can sell.

2) Ted thinks the Kin pre-sale will raise \$50mm and the token sale will raise another \$50mm so the 10% "ICO" will value Kin at \$1bn

3) 3% of \$1bn is \$30mm so if Kin holds it's value then Kik would certainly not need to sell all of it's 30% and there would be surplus Kin. If Kin stays at \$1bn, Kik would need to sell more like 3% a year, not 3% a quarter. And that doesn't take into account the first \$100mm that Kik would make from the ICO.

4) the Kin rewards engine will pay out something like 12% in year One so if Kin stays at \$1bn, that's \$120mm and Kik stands to get much of that

So if Kin is successful (meaning that investors who buy in the pre-sale and ICO make money), then it looks to me that Kik would end up owning a lot of Kin and would likely dividend it out at some point to it's shareholders and we would get some of it from that

We can discuss more next Monday but my view is we sit on the sidelines here in terms of allocating more capital to this and work with the Company to make Kin successful instead.

Fred

